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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/810,176	03/26/2004	Ronald S. Jankov	NLMLP126	8012
30554	7590	01/28/2010	EXAMINER	
MAHAMEDI PARADICE KREISMAN LLP			WOOD, DAVID L	
550 Winchester Boulevard			ART UNIT	PAPER NUMBER
Suite 605				3695
SAN JOSE, CA 95128			MAIL DATE	DELIVERY MODE
			01/28/2010	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of Allowability	Application No.	Applicant(s)	
	10/810,176	JANKOV ET AL.	
	Examiner	Art Unit	
	DAVID L. WOOD	3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address--

All claims being allowable, PROSECUTION ON THE MERITS IS (OR REMAINS) CLOSED in this application. If not included herewith (or previously mailed), a Notice of Allowance (PTO-85) or other appropriate communication will be mailed in due course. **THIS NOTICE OF ALLOWABILITY IS NOT A GRANT OF PATENT RIGHTS.** This application is subject to withdrawal from issue at the initiative of the Office or upon petition by the applicant. See 37 CFR 1.313 and MPEP 1308.

1. This communication is responsive to the amendment of 8/12/2009.

2. The allowed claim(s) is/are 1-19 and 26-37.

3. Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a) All b) Some* c) None of the:

1. Certified copies of the priority documents have been received.

2. Certified copies of the priority documents have been received in Application No. _____.

3. Copies of the certified copies of the priority documents have been received in this national stage application from the International Bureau (PCT Rule 17.2(a)).

* Certified copies not received: _____.

Applicant has THREE MONTHS FROM THE "MAILING DATE" of this communication to file a reply complying with the requirements noted below. Failure to timely comply will result in ABANDONMENT of this application.

THIS THREE-MONTH PERIOD IS NOT EXTENDABLE.

4. A SUBSTITUTE OATH OR DECLARATION must be submitted. Note the attached EXAMINER'S AMENDMENT or NOTICE OF INFORMAL PATENT APPLICATION (PTO-152) which gives reason(s) why the oath or declaration is deficient.

5. CORRECTED DRAWINGS (as "replacement sheets") must be submitted.

(a) including changes required by the Notice of Draftsperson's Patent Drawing Review (PTO-948) attached
1) hereto or 2) to Paper No./Mail Date _____.

(b) including changes required by the attached Examiner's Amendment / Comment or in the Office action of
Paper No./Mail Date _____.

Identifying indicia such as the application number (see 37 CFR 1.84(c)) should be written on the drawings in the front (not the back) of each sheet. Replacement sheet(s) should be labeled as such in the header according to 37 CFR 1.121(d).

6. DEPOSIT OF and/or INFORMATION about the deposit of BIOLOGICAL MATERIAL must be submitted. Note the attached Examiner's comment regarding REQUIREMENT FOR THE DEPOSIT OF BIOLOGICAL MATERIAL.

Attachment(s)

1. Notice of References Cited (PTO-892)

5. Notice of Informal Patent Application

2. Notice of Draftsperson's Patent Drawing Review (PTO-948)

6. Interview Summary (PTO-413),
Paper No./Mail Date _____.

3. Information Disclosure Statements (PTO/SB/08),
Paper No./Mail Date _____.

7. Examiner's Amendment/Comment

4. Examiner's Comment Regarding Requirement for Deposit
of Biological Material

8. Examiner's Statement of Reasons for Allowance

9. Other _____.

/David L. Wood/
Examiner, Art Unit 3695

/Charles R. Kyle/
Supervisory Patent Examiner, Art Unit 3695

SUPPLEMENTAL ALLOWANCE

This supplemental allowance is issued for the sole purpose of correcting a typographical error in the Examiner's Amendment of claim 1, appearing on page 3 of the original Notice of Allowance. In the original allowance, the stray words "target net material cost." were inadvertently left at the end of the claim, after the period. Those four words are removed in this amendment. The claim amendments below are relative to the last version of the claims as filed by the Applicant, not to the last allowance.

EXAMINER'S AMENDMENT

1. An examiner's amendment to the record appears below. Should the changes and/or additions be unacceptable to applicant, an amendment may be filed as provided by 37 CFR 1.312. To ensure consideration of such an amendment, it MUST be submitted no later than the payment of the issue fee.

Authorization for this examiner's amendment was given in a telephone interview with Mr. William Paradice on December 1, 2009, with proposed claims forwarded by email.

The claims to the application have been amended as follows:

1. (Currently Amended) A method for transferring intellectual property (IP) between competing parties [[performed by a system]], wherein the parties include a manufacturer of products and a licensor of the IP, comprising:

generating a license agreement between the parties that includes a royalty rate, a mark-up rate, and a target division of manufactured products that include the IP;

determining the royalty rate as a first percentage of a cost of a component material of the manufactured products using a computer system;

determining the mark-up rate as a second percentage of the cost of the component material of the manufactured products using the computer system; [[and]]

selecting a target net material cost using the computer system, wherein the net material cost is on a per-unit basis;

determining the target division of the manufactured products as a split of the products between the parties that results in [[a]] the target net material cost using the computer system; and

dividing the manufactured products between the manufacturer and the licensor in accordance with the target division, wherein the target division includes a demand division based on demand for the manufactured products.

2. (Currently Amended) The method of claim 1, [[wherein the parties include a manufacturer of the products and a licensor of the IP, the method]] further comprising:
[[dividing the manufactured products between the manufacturer and the licensor in accordance with the target division, wherein the target division includes a demand division based on demand for the manufactured products;]]

transferring royalty payments from the manufacturer to the licensor for each product retained by the manufacturer, wherein the royalty payments are determined using the royalty rate; and

transferring mark-up payments from the licensor to the manufacturer for each manufactured product received by the licensor, wherein the mark-up payments are determined using the mark-up rate.

6. (Currently Amended) The method of claim 5, [[wherein the parties include a manufacturer of the products and a licensor of the IP,]] wherein the target division is determined so that a first ratio of a number of products allocated to the licensor to a number of products allocated to the manufacturer is approximately equal to a second ratio of the royalty rate to the mark-up rate.

26. (Currently Amended) A method [[performed by a system]] comprising:
identifying a product for manufacture and sale;
setting a royalty rate that is a first percentage of a cost of a component material of the product using a computer system;
setting a mark-up rate that is a second percentage of the cost of the component material using the computer system;
identifying a target split of at least one production group of the product that results in a target net material cost using the computer system, wherein the target split

includes a first number of the products retained by a first party and a second number of the products for delivery to a second party; and

generating, using the computer system, an agreement between the first party and the second party under which the first party manufactures and sells the product in accordance with the royalty rate and the target split and the second party sells the product in accordance with the mark-up rate and the target split.

28. (Currently Amended) The method of claim 26, wherein the target split results in a net material cost that is approximately equal for each of the parties and a party taking more products than allocated to the party under the target split would realize an increasing net material cost and a party taking fewer products than allocated to the party under the target division would realize a decreasing net material cost, wherein the net material cost is on a per-unit basis.

30. (Currently Amended) A method [[performed by a system]] for supplying products in a market, comprising:

transferring technology of the products between parties including a licensor and a licensee;

establishing a royalty rate that is a first percentage of a cost of a component material of the products and establishing a mark-up rate that is a second percentage of the cost of the component material using a computer system;

identifying a target division of manufactured products that results in a selected target net material cost using the computer system, wherein the net material cost is on a per-unit basis;

manufacturing the products using the transferred technology and transferring royalty payments from the licensee to the licensor, wherein the royalty payments are determined using the royalty rate;

dividing the manufactured products between the licensor and the licensee in accordance with the target division and transferring mark-up payments from the licensor to the licensee for each manufactured product received by the licensor; and

supplying the products to customers in the market, wherein the products are available for purchase from the licensor and the licensee.

2. The following is an examiner's statement of reasons for allowance.
3. It is common practice to tie royalties for the licensing of intellectual property to a percentage of the sales price of the goods produced which include the intellectual property. Textbooks and articles are almost universal in that approach. An alternative is a purely fixed-cost method, which does not relate to the sales price of the goods. Few other alternatives appear in publications prior to the instant application. The Scherer, et al., article describes the only other variation that appears close to the claimed invention. A UK compulsory license for drugs used this formula: ""To research, development, and testing costs averaged over the licensing firm's pharmaceutical operations, a fairly generous profit margin was added to arrive at the royalty per

kilogram." (Scherer, page 923, second full paragraph). One interpretation of this is that a percentage profit based on "costs" was used, which is similar to the claimed "royalty rate as a first percentage of a cost of a component material." Cost, after all, is a very fluid term, which can describe many accounting concepts, such as direct costs, direct plus some burden rate representing indirect costs, or a full-cost allocation of all overhead with some quantity assumptions. There is no single definition of "cost." But the claims do use the phrase "cost of a component material" which implies a direct material cost without any indirect/overhead/burden added. The claims also require the royalty be a percentage, so that if the material cost changed, the royalty would also change. This is apparently different from the Scherer reference, which arrived at, essentially, a fixed cost per unit which was calculated with an initial percentage, but which does not vary as costs vary. And the Scherer costs clearly include some forms of overhead, if not all overhead. So, first, the claimed invention departs from common licensing by tying the royalty to a percentage of cost, rather than using other common methods.

4. The second feature that is novel and non-obvious is the combination of royalty and manufacturing mark-up rates, in a situation where the owner of the intellectual property both licenses the IP to a manufacturer/fabricator, and also buys finished product with that IP from the licensor who is doing the manufacturing/fabricating. The use of material costs as the basis for both royalty and mark-up, along with the target material cost and quantity allocation (split between parties) leads to the invention of a method of establishing IP licensing/manufacturing between the two parties that prevents

Art Unit: 3695

the more powerful party from driving the other out of business using aggressive sales pricing. The closest art that even considers the situation is perhaps the Contractor patent publication. Although Contractor speaks of the general licensing situation, it does not address the predatory pricing problem nor does it present the use of royalty tied to cost and the combination of claimed features in the instant invention.

Any comments considered necessary by applicant must be submitted no later than the payment of the issue fee and, to avoid processing delays, should preferably accompany the issue fee. Such submissions should be clearly labeled "Comments on Statement of Reasons for Allowance."

Any inquiry concerning this communication or earlier communications from the examiner should be directed to DAVID L. WOOD whose telephone number is (571)270-3607. The examiner can normally be reached on Monday to Friday 7:30 - 4:00 EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Charles Kyle can be reached on 571-272-6746. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://www.uspto.gov>. If you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (in USA or Canada) or 571-272-1000.

/David L. Wood/
Examiner, Art Unit 3695
January 11, 2010

/Charles R. Kyle/
Supervisory Patent Examiner, Art Unit 3695